

DRAFT MINUTES OF THE

TEXAS REGIONAL ENTITY ADVISORY COMMITTEE

Room 206, Met Center, 7620 Metro Center Drive, Austin, Texas 78744

September 14, 2009

Committee Members

Michehl R. Gent, Chair		Unaffiliated
A.D. Patton, Vice Chair		Unaffiliated
Barry T. Smitherman	Commissioner or Chairman, Public Utility Commission of Texas	
Mark Armentrout		Unaffiliated
Jan Newton		Unaffiliated
Miguel Espinosa		Unaffiliated
Don Ballard	Office of Public Utility Counsel	Residential Small Consumer

Other Directors and Segment Alternates

Steve Bartley	CPS Energy	Municipal
Brad Cox	Tenaska Power Services	Independent Power Marketer
Andrew Dalton	Valero	Independent Consumer
Clifton Karnei	Brazos Electric Cooperative	Cooperative
Nick Fehrenbach	City of Dallas	Commercial Consumer

Other Attendees

Larry Grimm, Texas RE CEO and CCO
 Susan Vincent, Texas RE Director, Legal Affairs
 Victor Barry, Texas RE Director, Compliance
 Elaine Conces, Texas RE IT Manager (via telephone)
 Jeff Whitmer, Texas RE Manager Compliance Enforcement
 Derrick Davis, Texas RE Corporate Counsel
 Betty Sachnick, Texas RE Executive Assistant
 Tony Shiekhi, Texas RE Compliance Stakeholder Manager
 Todd Brewer, Texas RE Senior Financial Analyst
 Judith James, Texas RE Reliability Standards Manager
 Sarah Hensley, Texas RE Standards Coordinator
 Deann Walker, CenterPoint Energy
 Jennifer Windler, LCRA
 Tom Burke, Luminant
 Joel Firestone, Direct Energy
 Kenan Ogelman, CPS Energy
 Bridget Headrick, Public Utility Commission of Texas

Call to Order

Pursuant to notice duly given, the meeting of the Texas Regional Entity (“Texas RE”) Advisory Committee (“Committee”) convened on the above-referenced date. Chair Michehl Gent reviewed the Antitrust Admonition with the Committee, ascertained a quorum was present, and called the open session of the meeting to order at approximately 10:01 a.m.

Approval of Previous Minutes

Mark Armentrout made a motion to approve the minutes of the August 17, 2009 Committee meeting with the addition of a statement that Chair Gent had determined a quorum and reviewed the anti-trust admonition statement; Jan Newton seconded the motion. The motion passed by unanimous voice vote.

Texas RE Administrative Update

Larry Grimm provided an update on the status of Protocol Revision Request (PRR) 822 (Removing Access to Restricted Computer Systems, Control Systems and Facilities), and informed the Committee that the Critical Infrastructure Protection Working Group met on August 31, 2009 and revised the PRR in a manner that concerned Texas RE because:

- All language originally submitted by Texas RE, including the title, had been removed
- The revised standard was similar to a North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection standard
- It now exempts all entities that have not identified critical cyber assets (only approximately 41 would be included)
- Reports of deficiencies to Texas RE were required as informational in nature only and not as an admission of liability

Mr. Grimm reported that the Reliability and Operations Subcommittee (ROS) voted to endorse the revised PRR 822 (with 1 abstention from the IOU segment) at its September 10, 2009 meeting.

In response to Mr. Grimm's PRR 822 update Miguel Espinosa commented that he was concerned about the amount of time it had taken to process PRR 822. Don Ballard suggested possible sanctions be considered. Chair Gent stated that Texas RE should have no further action on PRR 822 and if allowed by the Committee he would recommend the ERCOT ISO Board charge Chuck Manning, ERCOT ISO's Chief Compliance Officer with taking on responsibility for facilitating PRR 822 as an ERCOT ISO matter. In response to Ms. Newton's question about Mr. Grimm's opinion on PRR 822, Mr. Grimm stated that frankly he felt that PRR 822 as submitted by Texas RE was pretty good and that he is concerned it had now been totally gutted. Ms. Newton stated that basically this process has boiled down to the market participants not wanting PRR 822 as submitted by Texas RE. Ms. Newton recommended that the matter be raised at the Texas RE and ERCOT ISO Board meetings.

Mr. Grimm informed the Committee that registration for two September Texas RE workshops to be held at Met Center was underway through the Texas RE website (www.texasre.org):

- September 23rd – Standards and Compliance Workshop
- September 24th – Critical Infrastructure Protection Workshop

In response to Chair Gent's questions related to the Sunset Review of ERCOT, Mr. Grimm responded that Ms. Vincent had submitted Texas RE's response to ERCOT Legal. In response to requests by the Committee, Ms. Vincent said she would send a copy of the Texas RE Self Evaluation section to the Committee. In response to Chair Gent's question about the \$20,000 for outside counsel discussed in the August Committee meeting, Ms. Vincent answered that outside counsel was hired but they have not been necessary, only an hour or two of service had

been used thus far. After discussing the new Texas RE website, Chair Gent requested that Elaine Conces provide routine statistics on the use and progress of the website.

Financial Report (Q&A)

In response to questions about the financial report having not been included in the Board's packet, Todd Brewer responded that the month end close of the ledger had not been completed at the time the Board packets were printed and posted (September 3rd), because of the early meeting date and the Labor Day Holiday. Mr. Brewer confirmed to Mr. Armentrout that the ledger generally closes on the fourth business day. In response to Chair Gent's questions about Technical Feasibility Exceptions (TFEs), Mr. Grimm stated that Texas RE would start accepting TFEs once the required modifications to the Texas RE Portal (and the other regional entity portals) were ready, which modifications were expected within the next month. In response to Mr. Espinosa's question about being ahead of budget, Mr. Brewer responded that the largest portion of the positive amount was from the cash reserves. Chair Gent asked that Mr. Brewer state the general financial condition of the Texas RE. Mr. Brewer responded that Texas RE is incurring revenue and expenses as planned.

The Committee discussed Texas RE's time tracking information and asked why Texas RE tracks its labor hours. Mr. Brewer explained that the NERC system of accounts required time to be allocated for the relevant activity codes. Mr. Grimm noted that the time tracking was critical for the statutory/non-statutory separation and it was a tool used for better budgeting. Mr. Grimm said that if this information was of no value to the Committee Texas RE is open to removing the information. Mr. Gent suggested that Texas RE might provide a breakdown of time for him to consider, as an alternative to the total amount currently included in the report.

Human Resources & Governance Issues

Mr. Armentrout generally discussed the purpose for the Proposed Separation Plan. Mr. Armentrout requested that the plan be revised to include:

1. Transition plan for the non-NERC compliance;
2. First membership meeting date;
3. Independent director strategy, including the estimated compensation, required general competencies, and hiring tactics; and
4. Intended launch of the new board

A.D. Patton suggested narrowing the scope of experience for independent director candidates to bulk power and utilities and reducing the years with no ERCOT region affiliation from two years to one year. In response to Dr. Patton's request to have the Office of Public Utility Counsel (OPUC) representative removed from the proposed Texas RE Board, Don Ballard responded that he disagreed with the request. Mr. Ballard contrasted the NERC Bylaws noting that they include consumer representatives. Chair Gent questioned why the proposed bylaws strayed from NERC's Bylaws. Susan Vincent generally explained the bylaw drafting process and the various input and revisions to the Bylaws that had transpired over the previous months.

Brad Cox discussed concerns with the proposed governance structure of the membership and the positive role that additional membership representation on the board, similarly to the ERCOT Board, could provide. Mr. Cox presented possible bylaws revisions to the Committee and generally discussed possible changes. Mr. Cox also noted that six months may not be enough time for finding directors.

Nick Fehrenbach expressed concern about the structure of the proposed board and in his opinion, the lack of a true vote for consumers. Dr. Patton requested that the proposed governance allow for unaffiliated directors to receive information from consumers or others prior to board meetings.

Ms. Newton reminded the group to submit direct feedback to Ms. Vincent. In response to Mr. Grimm's question on how the Texas RE staff should proceed, Ms. Newton responded that a note should be sent out again to all Directors, requesting feedback and offering to arrange conference calls as necessary. Ms. Newton emphasized that feedback should be provided to Ms. Vincent prior to the next Texas RE Committee and Board meetings.

Mr. Armentrout commented again on the Proposed Separation Plan and stressed the importance of including as much information as possible. Mr. Armentrout also referenced a discussion that he had with Ms. Vincent and Mike Grable, ERCOT ISO's General Counsel related to discussing certain topics at the ERCOT ISO Human Resource & Governance Committee meetings. Mr. Ballard requested that the Committee consider changing the name of Texas RE, but no Directors suggested any new names.

Adjournment

Chair Gent adjourned the open session of the Texas RE Advisory Committee at approximately 11:20 a.m.